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SUBJECT: GUYANA STOCK MARKET OFFERS LITTLE HOPE FOR LOCAL
INVESTORS

11. (SBU) Summary: The four year-old Guyana stock market is handicapped by the tiny number of listed companies, low trading volume, and regulatory problems. These make the market an unattractive alternative to saving accounts, real estate, and migration. End summary.

12. (U) The Guyanese Association of Securities Companies and Intermediaries (GASCI) opened its trading floor in 2003 with one Trinidadian company listed and four firms certified to buy and sell stocks. At the same time, the Guyana Securities Council (GSC) was created to function as the market's regulatory body. Both GASCI and the GSC drew early budgetary and organizational support from the British government.

13. (U) Little has changed in four years. The original Trinidadian company is still the only primary offering, joined now by thirteen secondary listings. Stocks are bought and sold--only on Mondays--from four laptop computers grouped in the center of an otherwise barren room. Volume averages about two million shares a session. GASCI plans to offer its first bond in 2007. The British no longer give money to the project.

14. (SBU) Efforts to attract potential investors collided with culture and (apparent) corruption in 2005. GASCI launched a media blitz to make wage earning Guyanese aware that their traditional investments in savings accounts and pension plans earned lower returns than the rate of inflation and to draw them toward the market. Its message should have been appealing to the middle class. Unfortunately, a longstanding conflict between the GSC and Guyana's largest corporation (and secondary GASCI listing) undermined its efforts and steeled public skepticism about this new mechanism seeking their money.

15. (SBU) The conflict began when the GSC suspected beverage manufacturer Banks DIH of insider trading and demanded to review its financial records. Banks DIH got an ex parte court injunction preventing the GSC from reviewing the books. Four years later when the injunction lifted, a mysterious fire in the Banks DIH records office destroyed the requested files. The matter was dropped, but potential investors learned again to mistrust Guyana's institutions and legal processes: Their money may be dribbling away in traditional investments, but those are still safer than an essentially unregulated market.

16. (SBU) Comment: Safer still is abandoning Guyana altogether: more than two percent of the population--including ninety percent of all college graduates--leave Guyana every year for the US, Canada or other Caribbean countries. Against those odds, GASCI will grow glacially, if at all, as potential investors continue choosing to lose their money in a slow trickle against

inflation rather than risking it in a troubled fledgling market. End comment.

Robinson